

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF: THE APPLICATION OF LOUISVILLE GAS & :
ELECTRIC COMPANY FOR CERTIFICATES OF PUBLIC : **Case No. 2016-00027**
CONVENIENCE AND NECESSITY AND APPROVAL OF ITS 2016 :
COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL :
SURCHARGE :

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'S RESPONSE
TO THE COMMISSION STAFF'S REQUEST FOR INFORMATION**

1. Refer to the Direct Testimony of Lane Kollen ("Kollen Testimony"), page 4, lines 17-19, which state, "KU proposes to commence the impoundment closure projects and construction of the new process water system at Trimble County in 2017 and complete all work by 2023." Confirm that the reference in Kollen Testimony, page 4, line 17, is to Louisville Gas & Electric Company ("LG&E"), and not KU.

RESPONSE:

Yes.

2. Refer to the Kollen Testimony, page 14, line 21 through page 16, line 9, and Exhibit LK-6. Provide an ECR - Gross-up Revenue Factor & Composite Income Tax Calculation using the format and calculations contained in Exhibit LK-6, but include the Internal Revenue Code §199 manufacturing tax deduction for LG&E.

RESPONSE:

Please see attached. The calculation results in a combined federal and state income tax rate of 35.69%. The 35.516% rate stated on page 15 line 12 of Mr. Kollen's testimony should be corrected to the 35.69% calculated on the attachment.

Respectfully submitted,



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June 1, 2016

Q. #2 Attachment

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
Including Federal Section 199 deduction**

(1) Assume pre-tax income of	\$100.00	
(3) State income tax (see below)	5.64	
(5) Taxable income for Federal income tax		
(6) before production credit	94.36	(1)-(3)
(7) a. Production Rate	9.00%	
(8) b. Allocation to Production Income	100.00%	
(9) c. Allocated Production Rate (a x b)	9.00%	
(11) Less: Production tax credit	8.49	(6)*(9)
(13) Taxable income for Federal income tax	85.87	(6)-(11)
(15) Federal income tax	30.05	(13)*35%
(18) Total State and federal income taxes	35.69	(3)+(15)
(20) Gross-up Revenue Factor	64.31	100-(18)